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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JULY 19, 2002

APPLICATION OF

KENTUCKY UTILITIES COMPANY D/B/A
OLD DOMINION POWER COMPANY

CASE NO. PUE-2002-00323

Requesting waiver of certain
regulations governing electronic
data exchange between incumbent
electric utilities and
competitive suppliers.

ORDER ESTABLISHING PROCEEDING

On June 12, 2002, Kentucky Utilities Company d/b/a Old Dominion Power Company ("Old Dominion" or "the Company") filed with the State Corporation Commission ("Commission") its request for waiver of certain regulations governing retail access to competitive energy services. Under Rule 20 VAC 5-312-20 A, this Commission, on request, may waive the application of a retail access rule on a case-by-case basis.

The Company has specifically requested that the Commission grant its request for a waiver of Rule 20 VAC 5-312-20 K and L, governing the exchange of data between incumbent electric utilities and licensed competitive suppliers of electric generation by electronic means in accordance with Electronic Data Interchange ("EDI") standards. These EDI standards were developed by the Virginia Electronic Data Transfer Working

Group. As an alternative to such EDI compliance, Old Dominion proposes to exchange enrollment, switching, and billing transaction data via e-mail or fax. The Company indicates that it will comply with all other requirements of the Commission's retail access rules, including those specific to the exchange of transaction data.

With respect to billing, Old Dominion also proposes that the Company be permitted to perform consolidated billing on a manual basis (for up to 100 customers switching to competitive suppliers) on the date the Company's service territory is open to retail choice for generation services.¹ The Company states that it would comply with all standards required for new customer bills.

The Company also proposes that it be allowed to continue this manual "work-around" for its shopping customers until at least 100 customers have switched to competitive suppliers. The Company then proposes to notify the Commission once that shopping level has been reached, and immediately begin the task of outsourcing the development of a fully automated billing system compliant with then-current EDI standards.

¹ Under the Commission's Order in Case No.PUE000740 (Commonwealth of Virginia, ex. rel. State Corporation Commission, In the matter concerning a draft plan for phase-in of retail electric competition), Old Dominion was authorized to delay introduction of retail choice in its service territory until January 1, 2004.

The Company further proposes that during the period in which the automated billing system's development is underway (but not longer than 12 months after the Company notifies the Commission as described above), customers switching to competitive suppliers would receive two bills: (i) a distribution bill directly from the Company, and (ii) a generation bill directly from the competitive supplier.

As a practical basis for the Company's waiver request, the Company states in its application that the total cost of outsourcing a new automated billing system would be approximately \$1.5 million per year for the next five years, or \$4.24 per customer per month. Recurring costs for this system thereafter are estimated to be approximately \$1.2 million per year. The Company asserts that the high cost of developing and implementing a new billing system is not offset by any meaningful benefit to the Company's customers.

The Company projects that little if any customer switching will occur in its service territory on January 1, 2004, because of the uniquely low rates currently enjoyed by the Company's customers, and because these customers' low load factors will likely make them less attractive to competitive suppliers than larger, higher load factor customers in denser, urban markets.²

² According to the Company's application, it currently supplies electricity to approximately 29,500 customers in five counties in Southwest Virginia. The Company further states that nearly 86 percent of its customers are small, low

The Company concludes that any supplier switching in its service territory will be limited to those customers for whom price is not an issue (i.e., customers switching to "green" power).

Finally, as an additional legal basis for its request, the Company cites to § 56-581.1 C of the Virginia Electric Utility Restructuring Act³ that provides that the Commission, on its own motion or by application of any distributor, may delay any element of the competitive provisions of billing services for the period of time necessary to resolve such issues as billing accuracy, timeliness, consumer readiness and other specified considerations. However, such a delay may last no longer than one year. The Company requests that to the extent the Commission deems the Company's proposal a request for "delay" within the meaning of § 56-581.1 C, the Commission treat this application as a request under that statute, as well.

NOW THE COMMISSION, in consideration of the foregoing, is of the opinion and finds that this matter should be docketed and interested persons be given notice and provided an opportunity to file comments on the Company's petition herein.

load factor residential customers whose average usage is approximately 1300 kWh per month.

³ Chapter 23 (§ 56-576 et seq.) of Title 56 of the Code of Virginia.

Accordingly, IT IS ORDERED THAT:

(1) The Company's application be docketed as Case No. PUE-2002-00323, and all associated papers be filed therein.

(2) On or before August 9, 2002, the Commission Staff and any interested persons may file an original and fifteen copies of written comments on the Petition with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. A copy of any comments filed shall also be served on the Company's counsel, Linda S. Portasik, Esquire, Kentucky Utilities Company, One Quality Street, Lexington, Kentucky 40507-1452.

(3) On or before August 16, 2002, the Company may file with the Clerk of the Commission its response to the comments filed pursuant to Ordering Paragraph (2).

(4) On or before July 31, 2002, the Company shall serve a copy of this Order, together with a copy of its application herein, on the Chairman of the Board of Supervisors of each county (or equivalent officials in counties having alternate forms of government) in which the Company offers service, and on the Attorney and Mayor or Manager of every city and town (or equivalent officials of cities and towns having alternate forms of government in which the Company offers service). Service shall be made by first-class mail or delivery to the customary place of business or residence of the person served.

(5) On or before August 16, 2002, the Company shall file with the Clerk proof of service required by Ordering Paragraph (4).